

AIR POUCH

~~CONFIDENTIAL~~FOREIGN SERVICE DESPATCH

Despatch No. 548

FROM : EMBASSY NEW DELHI

TO : DEPARTMENT OF STATE, Washington

October 31, 1956

71  
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 SUBJECT: Nepal-Communist Chinese Treaty on Tibet

Summary. Nepal and Communist China signed a treaty in Kathmandu on September 20, which revises the Nepal-Tibet treaty of 1856 and regularizes relations between the two countries. Copies of the text of the new treaty, entitled "Agreement to Maintain the Friendly Relations Between the Kingdom of Nepal and the Peoples Republic of China and on Trade and Intercourse between Nepal and the Tibet Region of China," which was released in Kathmandu and Peking on September 24, are enclosed.

The new treaty comprises an agreement between the two governments and an exchange of notes; it is to come into effect after ratification by the two governments and is valid for eight years. End of Summary.

Chief Treaty Provisions

The agreement itself contains a preamble reaffirming the principles of Panch Shila first enunciated in the Sino-India Agreement of 1954 and five articles. Article I calls for peace and friendship between the two governments. Article II reaffirms a decision reached in August 1955 to exchange diplomatic representatives at the Ambassadorial level (presently both Ambassadors reside in Delhi; according to an Indian MEA official secret notes were exchanged providing that this arrangement should be continued). Article III abrogates all past treaties or documents between the two governments including those between Nepal and Tibet. Article IV contains detailed provisions governing travel, trade and pilgrimages between Nepal and Tibet. It provides for the establishment of trade agencies by Nepal in Tibet and for an equal number of trade agencies by the Chinese Government in Nepal, the location of which is to be determined at a later date. Similarly, markets are specified for Nepalese traders, while an equal number of markets for trade by Tibetan or Chinese traders is to be determined in the future. Travel across the border by nationals of the two countries will henceforth be controlled by a passport and visa system but inhabitants of the border areas and pilgrims are exempted from these controls. Article V details the ratification procedure.

The agreement is accompanied by a note containing fourteen clauses listing in greater detail the provisions governing the status of Nepalese nationals in Tibet and outlining the terms under which they will be permitted to reside and do business in Tibet. In addition, it calls for the establishment of Consulates General at Lhasa and at Kathmandu, although again the date of the establishment of a Chinese Consulate General in Nepal is to be determined at some future time.

LDHeck/sab

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From New Delhi - 10/31Negotiations and Delegations

Negotiations between the two governments lasted for approximately one month. The Communist Chinese delegation left New Delhi for Kathmandu on August 13 and talks got underway on August 17. The Chinese delegation was led by the Chinese Ambassador to India, PAN Tzu-Li, and included five other delegates and approximately 12 advisers. The other delegates were MA Mu-ming, First Secretary of the Chinese Embassy in New Delhi who is reportedly an economic specialist, two officials from the Asian Division of the Chinese Foreign Office identified as YANG and TAN Pa, and two Tibetans, one of whom was never identified. The other was first described as Ping Tso RAOSICH, "senior member of the Preparatory Committee for the autonomous Tibetan region in China." However, the local press eventually broke the news that he was actually Ragashar SHARP, former Commander in Chief of the Tibetan Army (see Embtel 344, August 8, 1956). When asked by newsmen why he had concealed his identity, he confined himself to the cryptic statement: "It was necessary to do so for the present." According to the Nepalese Ambassador in New Delhi, the Tibetan representatives put in an appearance at the opening session and then were relegated to the background by the Chinese Communists.

The composition of the Nepalese delegation was never officially announced, but according to Kathmandu press reports, officials involved in the negotiations included General KAIER, Hain BHADUR, former Nepalese Consul in Lhasa, and Nara Pratap THAPA, Secretary of the Foreign Office, as well as General DAMAN, Nepalese Ambassador to India and Communist China (also to Japan), C.P. SHARMA, Minister for Foreign Affairs and Prime Minister Tanka PRASAD.

The talks recessed about September 6 to allow the Chinese delegation to consult Peking. They were resumed on September 15 and the agreement was formally signed at a State banquet on September 20.

Issues during Negotiations

During the talks the GON was subject to considerable pressure and lobbying from Nepalese traders and residents in Tibet, who sent several delegations to Kathmandu. These delegations, who claimed to represent the Nepalese business houses in Lhasa controlling most of the import and export business, called on Prime Minister Tanka Prasad to urge him to protect their status and interests as guaranteed by the 1856 treaty. They were unable to obtain an audience to present their case to the Chinese delegation. The most important of these delegations appear to have been the Nepal Traders Association and the Nepalese Businessmen's Association of Tibet. Eight representatives of the former organization, including reportedly Subha Lalit BHADUR, a member of the Nepalese Consulate in Lhasa, reached Kathmandu on August 31. Their objective, as reported in the press, was to clarify the status of traders in Lhasa, many of whom, they said, were being forced to give up traditional trading practices and to evacuate Lhasa. The Nepalese Businessmen's Association released a 10-point memorandum which it urged the GON to adopt as the basis for its negotiations with the Chinese. These points, which in essence seek to retain many of the provisions of the 1856 treaty, giving the Nepalese special prerogatives, were as follows:

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- "1. Rights of Nepalese business men in Tibet in matters of trade and acquisition of land and property should not be disturbed by the new treaty under negotiation.
2. Nepalese should be adequately protected under Tibetan laws.
3. Kathmandu and Lhasa should be linked by a proper road to facilitate and improve trade between the two cities.
4. Indian currency should be made available in Lhasa through the bank of China.
5. A Nepalese legation should be established in Lhasa.
6. Nepalese business men should be given all facilities, including permission to visit China and Tibet.
7. Trade exchange between Nepal, Tibet and China should be promoted.
8. A bank should be established to deal with trade between Nepal and Tibet.
9. Nepal and China should undertake establishment and introduction of post and telegraph service between Lhasa and Kathmandu.
10. Tibet should be represented at any talks between Nepal and China."

As might be expected, local political parties also took up the case of the Nepalese traders and demanded that the GON protect their interests. On September 10 General Subarna Shumshere, President of the Nepali Congress, criticized the Chinese treatment of Nepalese traders and disregard for Nepalese interests in Tibet, where he claimed Nepalese had lived for 8000 years. He demanded that future relations between Nepal and Tibet be based on the protection of Nepalese interests, suggested that adequate foreign exchange be made available to Nepalese traders and urged that the Chinese authorities guarantee traders adequate communication facilities.

Another issue before the negotiators which was discussed at some length by the public was the question of the demarcation of the Nepalese-Tibetan border, and several papers carried reports that the Chinese Communists had inquired about the presence of Indian troops at border check posts. The Chinese were reported to have argued that there was no need for military patrols at check posts, but that if such were considered necessary it would be more appropriate to station Nepalese troops along the border.

It should be recalled that Tanka Prasad stated publicly in February 1956 that the border question would be one of the items on the agenda and that the GON would attempt to obtain a clear demarcation of Nepal's 500 mile frontier with Tibet. The Prime Minister felt that a more accurate definition of the

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border would help curtail the periodic raids on the Nepalese frontier districts by "lawless Tibetan elements." However, eight months later, while he was en route to Peking, Tanka Prasad was quoted in the Calcutta press as stating that the border issue was not discussed during the negotiations.

In the absence of definitive information, one can only theorize about the part which this issue played in the talks. It is possibly significant that the treaty lacked any reference to this question and failed to specify passes and trading routes to be used by travelers (except that they shall "use the customary routes") in contrast to the Sino-Indian agreement which outlined routes. This omission might indicate that the negotiations became deadlocked over the question and that they agreed to disagree. Substantiation of this theory is provided by the comment made by a member of the Nepalese Foreign Office to a recent American visitor to Kathmandu that the border problem was one of the major topics to occupy the delegates.

#### Comparison Between the Indian and Nepalese Treaties with the CPR

The Sino-Indian treaty of 1954 obviously served as the model for the new agreement which has many of the characteristics of the parent arrangement. The major differences result from the broader nature of the negotiations between Nepal and Red China involving a review of existing treaties concerning Tibet and a clarification of the status of a large Nepalese population in Tibet which has been estimated at about 200,000, of which 5000 to 10,000 live in Lhasa. The 1954 treaty, while implicitly recognizing Chinese sovereignty over Tibet, studiously avoided any reference to Tibet's change in status and confined itself to matters dealing with "trade and intercourse."

The first three articles of the Sino-Nepalese treaty, the most important of which is that abrogating all past treaties between the two countries, are not found in the 1954 treaty.

Article IV, outlining provisions governing trade, travel, and residence of the nationals of one country in the other, comprises five paragraphs roughly similar to the first five articles of the 1954 treaty. The preamble, not in the 1954 treaty, enjoins both parties to safeguard the interests of the nationals of the other but in accordance with the laws of the country of residence. Trade agencies designated by the CPR for the Nepalese are located at Shigatse, Kyerong and Nyalam, the last two being border towns on established trade routes between Nepal and Tibet. The 1954 treaty specified Gyantse, Yatung and Phari. Trade by Nepalese may also take place in Lhasa, Shigatse, Gyantse and Yatung; the 1954 treaty specified Yatung, Gyantse and Phari as centers for Indian traders. The introduction of a passport and visa system outlined in Paragraph 5 of Article IV is similar to that set forth in the 1954 treaty but in practice it is not as far reaching an innovation as would appear on the surface because the vast majority of persons crossing the border are exempted from these controls. Thus traders,

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customarily engaged in trade, may use certificates as a substitute for passports, inhabitants of the border areas may cross the border without any certification and pilgrims are required only to register at the border checkpoints. Officials and diplomats of the two countries, practically the only other category of travelers, are required to possess passports, visaed by the other country. The question remains of who will issue visas to Nepalese nationals in the absence of Chinese missions in Nepal.

Other highlights of this section of the Treaty are:

1. The postponement to a future date of the designation by the GON of trade agencies and market centers for CPR traders;
2. The inclusion of a clause not in the 1954 treaty granting greater freedom to border traders who are not required to confine their business to specified centers and may "continue to trade at traditional markets."
3. The exemption from taxation of the personal effects and baggage of pilgrims;
4. Authorization of travel by pilgrims and traders along "customary routes"; the 1954 treaty designated the passes and routes to be used.

The note accompanying the treaty contains fourteen clauses, a number of which are not found in the 1954 treaty. The first clause provides for the establishment of Consulates General by both parties in Lhasa and Kathmandu, the date of the installation of the latter being postponed to some future time. Clauses three, four, five, seven, eight, and fourteen curtail concessions previously enjoyed by the Nepalese in Tibet. Clause two is similar to one in the 1954 treaty calling for the withdrawal of military escorts from Tibet but it contains the additional phrase "...together with their arms and ammunition." Clause six calls for the adoption of measures to promote trade and authorizes the levying of customs duties "in accordance with the favoured tax-rates of each government." Clause nine provides for the establishment of direct wireless telegraphic service between Lhasa and Kathmandu. The remaining clauses ten, eleven, twelve and thirteen concerning rights or facilities to be accorded the nationals of one country by the other ~~either~~ have similar or identical language to that in the 1954 treaty.

#### Comment

So far the Embassy has received two conflicting interpretations of GON objectives and tactics in the talks. Several Nepalese officials of whom General Daman, the Nepalese Ambassador in New Delhi, is the most vocal, have conveyed a picture of the Nepalese being forced into negotiations because of the need to regularize relations with their neighbor to the north and to salvage the best possible concessions for Nepalese traders in Tibet. According to these sources the Nepalese entered the negotiations aware of their lack of bargaining power, and realizing that about their only assets were possible Chinese deference to world opinion, Peking's desire not to antagonize the GOI and the regime's

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willingness to concede immediate gains for long run objectives of infiltration and subversion. The Nepalese were also reportedly conscious of the Chinese threat to their security and interest, already demonstrated by difficulties along the border and a number of incidents involving Nepalese traders in Tibet. GON intentions were to keep the Chinese out of Nepal, to attempt to obtain the best possible conditions under the circumstances for their traders, and to press for a Consulate General in Lhasa as the best means by which to insure some protection for their nationals. In return, the Nepalese expected to forego the annual tribute paid by the Tibetans under the terms of the 1856 treaty, to recognize Chinese sovereignty over Tibet and to give up claims to extra-territorial rights for their nationals.

Another interpretation has reached the Embassy through the British Ambassador to Nepal who has quoted Indian Ambassador SARKAR as stating that the GON took the initiative in suggesting the establishment of a Chinese Consulate General in Kathmandu. According to this source the Chinese at the outset asked for four trading agencies in Nepal but did not favor setting up a mission in Kathmandu; they eventually compromised by agreeing in principle to exchange Consulates General. The Chinese motives for taking this position are not known but <sup>they</sup> were presumably aware of GOI opposition to the establishment of a diplomatic mission and may not have wished to offend Indian sensitivities on this point.

The reasons given by the Indian Ambassador for the Nepalese initiative on this question include the following:

1. The GON estimated that the presence of the Chinese in Kathmandu would encourage the U.S. and possibly other governments to establish missions. This would have the advantage of counterbalancing GOI influence and of helping to insure the independence of Nepal which the GON feels is threatened by India.
2. Faced with a budget deficit, a hopelessly inadequate tax system which it is politically difficult to overhaul and a need for large scale financing for the First Five Year Plan, the GON felt that an increase in the number of foreign missions in the country would put it in a better bargaining position in eliciting greater economic assistance.
3. An increase in foreign installations would boost the local economy by providing more jobs, an influx of foreign capital, the sale of real estate, etc. This would appear to be a relatively minor consideration but the country's economy is so small and there are also few employment opportunities for educated Nepalese that this consideration may have played a surprisingly important part in GON reasoning.

Whatever the facts may be, the GON appears to regard the treaty as a step forward in enhancing its prestige, as a preliminary to better and closer relations with China and as additional insurance against GOI encroachments. On the other hand, GOI officials are reported as "disturbed" or "distressed" or "furious", and

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the treaty could well be another irritant in the deteriorating relations between the two countries. Part of the GOI reaction is one of petulance at having its advice ignored; insofar as Nepal is concerned, the GOI does not consider itself governed by Panch Shila. More important, the GOI undoubtedly feels that its special position in Nepal is threatened by the prospects of a Chinese mission in Kathmandu and by trade agencies in other parts of the country which can overtly and covertly reorient Nepal away from India and loosen the ties between the two countries.

In this context, the deterioration in Indo-Nepalese relations which has become apparent in the last few months has been accelerated by this treaty. In the absence of observers on the spot, one can only speculate as to the motives of the GOI in embarking on this path which has the earmarks of a carefully considered policy. Some of the factors probably motivating or influencing the Nepalese along this course are:

1. The present Nepalese cabinet, led by Tanka Prasad, is well aware that it lacks broad-based popular support and that it is in power at the sufferance of the King. Like other Nepalese politicians Tanka Prasad and his colleagues want to stay in office and if at all possible capitalize on their present opportunities to strengthen their position in preparation for the national elections, scheduled for October, 1957. Part of the administration's tactics to overcome these liabilities appear to be to enhance its position by expanding Nepal's foreign contacts and associating the administration with a number of prestige events such as the coronation, by playing host to important foreign dignitaries such as President Prasad of India and numerous Asian leaders who have been invited to attend the Fourth Conference of the World Fellowship of Buddhists meeting in Kathmandu in November, by undertaking foreign tours such as Tanka Prasad's recent visit to Peking, and by establishing diplomatic relations with various countries including the USSR.

Although it is doubtful whether any of these policies can be carried out without the endorsement of the King, Tanka Prasad's own personality and ambitions also condition government decisions. It is important to remember that he spent numerous years in jail under the Rana regime under very isolated conditions, has little knowledge of the outside world or training for his present responsibilities and was an unimportant politician until he was suddenly cast in the role of a statesman who dealt at first hand with foreign representatives, and could enjoy the rewards and pomp of office. It would be surprising if this experience did not give him illusions of grandeur which are projected into his concept of the position that Nepal can occupy in international councils.

2. Nepalese officials, very few of whom have travelled beyond India's borders, are not well informed on events of recent years, on the struggle between the free world and the Communist bloc and on the fate of small countries bordering on the USSR and ~~the~~ Communist China which felt they could do business with them. Although Nepalese leaders probably share the instinctive distrust of any small country for a large and powerful neighbor, they may not view Communist

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China with any greater suspicion than previous governments in control of the country. Reports of Chinese repressive measures in Tibet undoubtedly have trickled into Nepal but Nepalese history is replete with stories of brutality and many Nepalese would not be shocked or alarmed by the excesses of an authoritarian regime such as the CPR.

3. Probably the most important conditioning factor is the Nepalese obsession with what they believe to be Indian ambitions in Nepal. Nepalese officials harbor suspicions that India has designs on Nepal and wishes to merge it in to India and several observers recently in Kathmandu have reported that the mood of these officials is one of greater fear of the GOI than of the CPR. This can be attributed to the more frequent clashes with India than with China, to the traditional tension between hill and plains people, to recent contact with GOI officials and missions which have been characterized by a degree of Indian arrogance, heavy-handedness and corruption and to frequent reminders appearing in the Indian press that Nepal is within India's sphere of influence.

4. A final factor of fairly recent origin is the apparently growing belief on the part of some Nepalese officials that they can no longer look only to the U.S. to counter-balance India and that Nepal should therefore turn to the CPR. Nepalese leaders including Tanka Prasad have demonstrated a certain amount of irritation over their belief that the U.S. and India collaborate too closely on aid programs for Nepal, that the U.S. has ganged up with India against Nepal and that India has some kind of veto power over U.S. activities in Nepal. Both USOM and Embassy officers have attempted to correct these misconceptions but the Nepalese are not easily disabused.

The inter-play of these various factors combines to give some substance to Indian Ambassador Sahay's charges that the Nepalese deliberately encouraged the Chicoms to establish a mission in Kathmandu and are engaged in a gradual reorientation of policy away from India.

For the Charge d'Affaires, a.i.:

Alfred E. Wellons  
First Secretary of Embassy

Enclosure:  
Nepal-Communist China Agreement

cc: Calcutta  
Hong Kong

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From New Delhi - 10/31

AGREEMENT TO MAINTAIN THE FRIENDLY RELATIONS  
BETWEEN THE KINGDOM OF NEPAL AND THE PEOPLE'S REPUBLIC OF CHINA

AND

ON TRADE AND INTERCOURSE BETWEEN NEPAL AND THE TIBET REGION OF CHINA

The Government of the Kingdom of Nepal and the People's Republic of China, being desirous of further developing the friendly relations between the two countries as good neighbours on the basis of the long-standing friendship between the two peoples

Reaffirm that the Five Principles (Panch Shila) of

1. Mutual respect for each other's territorial integrity and sovereignty,
2. Non-aggression,
3. Non-interference in each other's internal affairs for any reasons of an economic, political or ideological character,
4. Equality and mutual benefit, and,
5. Peaceful coexistence,

should be the fundamental principles guiding the relations between the two countries.

The two parties have resolved to conclude the present Agreement in accordance with the above-mentioned principles and have for this purpose appointed as their respective plenipotentiaries;

The Government of the Kingdom of Nepal, His Excellency Shri Chuda Prasad Sharma, Minister for Foreign Affairs,

The Government of the People's Republic of China, His Excellency Pan Tsu-li, Ambassador Extraordinary and Plenipotentiary of the People's Republic of China to the Kingdom of Nepal who, having examined each other's credentials and finding them in good and due form, have agreed upon the following:

ARTICLE 1

The High Contracting Parties declare that peace and friendship shall be maintained between the Kingdom of Nepal and the People's Republic of China.

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ARTICLE II

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The High Contracting Parties hereby reaffirm their decision to mutually exchange diplomatic representatives on ambassadorial level.

ARTICLE III

All treaties and documents which existed in the past between Nepal and China including those between Nepal and the Tibet Region of China are hereby abrogated.

ARTICLE IV

In order to maintain and develop the traditional contacts between Nepal and the peoples of the Tibet Region of China, the High Contracting Parties agree that the nationals of both Parties may trade, travel and make pilgrimage in those places in each other's territory as agreed upon by both Parties, and the two Parties agree to safeguard the proper interests of the nationals of the other Party in its territory in accordance with the laws of the country of residence, and for this purpose the High Contracting Parties agree to do as follows:

Paragraph I

The High Contracting Parties mutually agree to establish Trade Agencies:

1. The Chinese Government agrees that the Government of Nepal may establish Trade Agencies at Shigatse, Kyerong and Nyalam;
2. The Government of Nepal agrees that the Chinese Government may establish an equal number of trade agencies in Nepal, the specific locations of which will be discussed and determined at a later date by both Parties;
3. The Trade Agencies of both Parties shall be accorded the same status and same treatment. The Trade Agents of both parties shall enjoy freedom from arrest while exercising their functions, and shall enjoy in respect of themselves, their wives and their children who are dependant on them for livelihood, freedom from search.

The Trade Agencies of both Parties shall enjoy the privileges and immunities for couriers, mailbags and communications in code.

Paragraph II

The High Contracting Parties agree that traders of both countries may trade at the following places:

1. The Chinese Government agrees to specify (1) Lhasa, (2) Shigatse, (3) Gyantse and (4) Yatung as markets for trade;
2. The Government of Nepal agrees that when with the development of Chinese trade in Nepal, it has become necessary to specify markets for trade in Nepal, the Government of Nepal will specify an equal number of markets for trade in Nepal;

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3. Traders of both countries known to be customarily and specifically engaged in border trade between Nepal and the Tibet Region of China may continue trade at the traditional markets for such trade.

### Paragraph III

The High Contracting Parties agree that pilgrimage by religious believers of either country to the other may continue according to religious custom. Personal baggages and articles used for pilgrimage carried by the pilgrims of either Party shall be exempt from taxation by the other Party.

### Paragraph IV

For travelling across the border between Nepal and the Tibet Region of China, the High Contracting Parties agree that the nations of both countries shall use the customary routes.

### Paragraph V

For travelling across the border by the nationals of the two countries, the High Contracting Parties agree to adopt the following provisions:

1. Diplomatic personnel and officials of the two countries and nationals of the two countries except those provided by sub-paragraphs 2, 3, and 4 who travel across the border between Nepal and the Tibet Region of China, shall hold passports issued by their respective countries and visaed by the other Party. Nationals of the two countries who enter the Nepal or Tibet Region of China through a third country shall also hold passports issued by their respective countries and visaed by the other Party.

2. Traders of the two countries known to be customarily and specifically engaged in trade between Nepal and the Tibet Region of China, their wives and children dependent on them for livelihood and their attendants, not covered by sub-paragraph 3 of this Paragraph, who enter into the Nepal or Tibet Region of China as the case may be for the purposes of Trade shall hold passports issued by their respective countries and visaed by the other Party, or Certificates issued by their respective Governments or by organs authorized by their respective Governments.

3. Inhabitants of the border districts of the two countries who cross the border to carry on petty trade, to visit friends or relatives or for seasonal changes of residence, may do so as they have customarily done heretofore and need not hold passports, visas or other documents of certification.

4. Pilgrims of either Party who travel across the border between Nepal and the Tibet Region of China for the purposes of pilgrimage need not hold passports, visas or other documents of certification, but shall register at the border checkpoints or the first authorised Government office of the other Party, and obtain permits for pilgrimage therefrom.

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5. Notwithstanding the provisions of the foregoing sub-paragraphs of this Paragraph, either Government may refuse entry to any particular person.

6. Nationals of either country who enter the territory of the other Party in accordance with the foregoing sub-paragraphs of this Paragraph may stay within the territory only after complying with the procedures specified by the other Party.

#### ARTICLE V

This Agreement shall be ratified. It shall come into effect after mutual notice of ratifications, and remain in force for eight (8) years. Extension of the present Agreement may be negotiated by the two Parties if either Party requests for it six (6) months prior to the expiry of the Agreement and the request is agreed to by the other Party.

Done in Kathmandu on the 20th day of September, 1956 in duplicate in the Nepalese, Chinese and English languages, all texts being equally authentic.

Plenipotentiary of the Government  
of the People's Republic of China

Plenipotentiary of the Government  
of the Kingdom of Nepal

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September 20, 1956

Excellency,

In the course of our discussions regarding the Agreement for the maintenance of Friendly Relations between the People's Republic of China and the Kingdom of Nepal and on Trade and Intercourse between the Tibet Region of China and Nepal, the Delegation of the Government of the People's Republic of China and the Delegation of the Government of the Kingdom of Nepal agreed that certain related matters be regulated by an exchange of notes. In pursuance of this understanding, it is hereby agreed between the two Governments as follows:

The two Parties mutually agree to establish Consulates-General.

The Chinese Government agrees that the Government of Nepal may establish Consulate-General at Lhasa of the Tibet Region of China.

The Government of Nepal agrees that the Chinese Government may establish Consulate-General at Kathmandu of Nepal, the date for the establishment of which will be discussed and determined at a later date.

2. The Government of Nepal will be pleased to withdraw completely within six (6) months after this exchange of notes its military escorts now in Lhasa and other places in the Tibet Region of China, together with all their arms and ammunition. The Chinese Government will render facilities and assistance in such withdrawal.

3. Nepalese nationals in the Tibet Region of China and Chinese nationals in Nepal shall be subjected to the jurisdiction of the Government of the country of residence, observe the laws and regulations of the country of residence, pay taxes to that Government and respect the local custom.

All civil and criminal cases or disputes in which nationals of one Party in the territory of the other may be involved, shall be dealt with by the Government of the country of residence.

4. The Government of either Party will protect and safeguard the person, property and legitimate interests of the nationals of the other Party in its territory.

5.(a) The Governments of the two Parties agree that the nationals of either Party in the territory of the other Party, under the condition that they pay rents according to market prices and sign contracts for lease with the house owners on a mutually voluntary basis, may have the facility to rent houses.

(b) Nationals of either Party who have already rented houses in the territory of the other Party, under the condition that they pay rent according to market prices and that contracts for lease are or have been concluded with the house owners on a mutually voluntary basis, may continue to rent the houses.

6. Both Parties agree to adopt necessary measures to promote and expand the trade relations between the two countries, and to levy customs duties on the

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import and export commodities of the two Parties in accordance with the favoured tax-rates of each Government.

7. The range of business engaged in by the traders of either Party in the territory on the other shall comply with the relevant laws and regulations of the Government of the country of residence.

8. The Nepalese Primary School in Lhasa of the Tibet Region of China shall be changed into a Primary School for children of Nepalese nationals and shall complete registration procedures in accordance with the relevant regulations of the Chinese Government.

9. The two Parties agree to establish direct wireless telegraphic service between Lhasa and Kathmandu, the specific arrangements of which will be discussed and decided upon at a later date by the Governments of both Parties.

10. The Government of either Party will assist the Consulate-General and the Trade Agencies of the other in its territory in renting houses.

11. The Trade Agents of both Parties may, in accordance with the laws and regulations of the country of residence, have access to their nationals involved in civil or criminal cases.

12. The Trade Agents and traders of both countries may hire employees in the locality.

13. Traders and pilgrims of both countries shall have the facility of hiring means of transportation at normal and reasonable rates.

14. The two Parties agree that any person residing in the Tibet Region of China born of parents holding respectively the nationality of the People's Republic of China and the nationality of the Kingdom of Nepal and of eighteen years of age or above, may, according to their own will, choose the nationality of the People's Republic of China for themselves and their children who are under the age of eighteen, by completing relevant procedures at the Chinese Government. After the completion of the above-mentioned procedures, they and their children under the age of eighteen shall be considered to have lost automatically the nationality of Nepal.

If the Government of the Kingdom of Nepal agrees to the present Note, the present Note along with Your Excellency's reply shall become an agreement between our two Governments which shall come into force upon the exchange of the present Note and Your Excellency's reply.

I avail myself of this opportunity to express to Your Excellency the assurances of my highest consideration.

Ambassador Extraordinary and Plenipotentiary of the People's Republic of China to the Kingdom of Nepal.

His Excellency Mr. Chuda Prasad Sharma,  
Minister for Foreign Affairs of the Kingdom of Nepal.

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Translation of the reply by the Nepal Minister of Foreign Affairs  
to the Chinese Ambassador's note of September 20th, copied above:

"Kathmandu,  
September 20, 1956.

"Your Excellency,

"I have the honour to acknowledge receipt of Your Excellency's  
note of September 20, 1956, which reads as follows:

".....(herein is quoted the entire note from the Red Chinese  
Ambassador)

"On behalf of the Government of the Kingdom of Nepal, I hereby  
agree to your Excellency's note. Your Excellency's note, along with  
this reply, shall become an Agreement between our two Governments  
which shall come into force upon the exchange of the present notes.

"I avail myself of this opportunity to express to Your Excellency  
the assurances of my highest consideration.

"s/ Chuda Prasad Sharma  
Minister for Foreign Affairs  
Kingdom of Nepal

"His Excellency  
Mr. Pan Tzu-li  
Ambassador Extraordinary and  
Plenipotentiary of the People's  
Republic of China to the  
Kingdom of Nepal."

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